



Bank Notes

A Newsletter for Michigan Lenders



October 31, 2006

Issue 140

FY 2006 Lending Report

Yet another great year for the SBA and our lending partners in providing access to capital to small business owners in Fiscal Year 2006! Nationally, SBA had a record-shattering year by backing 100,197 loans totaling \$19.1 billion.

Statewide, the Michigan District Office guaranteed a total of 3,702 loans worth almost \$549 million. This was an increase of 18% in the number of loans over the previous year. We increased 7(a) lending by 17% and 504 lending by 28% compared to last year, setting Michigan records in both programs for the fifth year in a row. This compares very favorably to the Agency's growth of only 1% and 8% respectively, and Region V's (Midwest) growth of 5% and 6% respectively. Moreover, we ranked 5th in the country in the total number of 7(a) loans approved and our increase of 517 loans was the second highest in the country. The 31% increase in our user friendly SBAExpress program was the key to this record as 2,849 of our 3,461 7(a) loans were approved under this program.

SBA's achievements in accomplishing all of these records can be directly attributed to our outstanding lending partners. I want to thank all of SBA's participating lenders that supported our loan programs and Michigan's small business community in FY 2006. Looking ahead, it is clear that the future health of Michigan's economy will be heavily dependent on a growing and vibrant small business sector, and I look forward to building upon our past success to continue the growth in our mutual support of the state's small business community.

Shown below is a comparison of our loan activity for FY 2005 and FY 2006.

Loan Programs	# of Loans FY 05	# of Loans FY 06	% Increase
7(a)	2,946	3,461	17%
504	189	241	28%
Total	3,135	3,702	18 %

New Markets	# of Loans FY 05	# of Loans FY 06	% Increase
African American	143	183	27%
Hispanic American	49	77	57%
Asian American	225	225	N/C
Native American	18	20	11%
Total Minority	449	514	14%
Women	654	630	(4)%
Veterans	205	203	(1)%
International Trade	55	76	38%

2007 Michigan Lenders' Conference

Mark your Calendar! SBA's 9th Annual Michigan Lenders' Conference will be held March 22, 2007 at the Kellogg Center at Michigan State University in East Lansing. Cosponsored by the Michigan Small Business and Technology Development Center, the conference will feature training sessions on a wide range of topics for a variety of bank personnel.

The much anticipated SBA's Lender awards will be presented during lunch.

If you have any suggestions for this conference, please do not hesitate to call Richard Temkin or Leslie Gierke at (313) 226-6075.

Bank Notes Distribution

If you know someone who would like to receive future issues of Bank Notes, they will need to subscribe through SBA's Free Newsletter and Publication Subscription Center.

The process is easy. Simply go to Web page <http://web.sba.gov/list/>; scroll down and check the box entitled "Michigan Bank Notes Newsletter." Then scroll down and enter your name and e-mail address at the bottom of the page and hit the "Subscribe" button.

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Lenders Supporting the 504 Loan Program

For FY 2006, under the 504 Loan Program we approved 241 loans worth \$120.3 million. These loans were supported by 72 different third party lenders; this compares to 67 third party lenders in FY 2005 and shows the growing appreciation that lenders have for a program that is still under-utilized in Michigan. These are the lenders which supported 10 or more 504 loans:

Lender	# of Loans
Fifth Third Bank	35
Chase	13
National City Bank	13
KeyBank	12
Macatawa Bank	11
Comerica	10

SBA's 504 Loan Program provides long-term, fixed rate, subordinated financing for acquisition and/or renovation of capital assets, including land, buildings, and equipment. With 504 financing, the typical financial structure consists of 10% from the borrower, 50% from the commercial lender, and 40% from the Certified Development Company (CDC). The CDC portion is provided by 100% SBA guaranteed debentures.

For more information, please contact one of the CDCs listed in the next column. These organizations specialize in packaging 504 loans and will manage the entire process to make sure it goes smoothly.

Changes to 504 and 7(a) On-Going Fees

SBA Notice 5000-994 announced revised ongoing fees for both the 504 and 7(a) loan programs for loans approved during FY 2007. These fees are imposed under Section 503(b)(7) of the Small Business Investment Act and Section 7(a)(23) of the Small Business Act, respectively. These ongoing fees, plus the other fees paid to SBA, are designed to keep each of these lending programs at a zero subsidy rate. At this time there are no changes to any of the other fees payable to SBA in either the 504 or 7(a) programs.

504 Loan Program

For 504 loans approved on or after October 1, 2006, the "ongoing guarantee fee" paid by borrowers to SBA will be 0.018 percent (1.8 basis points) of the outstanding balance of the 504 loan.

7(a) Loan Program

For 7(a) loans approved on or after October 1, 2006, the "yearly fee" due from participants to SBA will be 0.55 percent of the guaranteed portion of the outstanding balance on the 7(a) loan. In the 7(a) Authorization Wizard this is referred to as the "ongoing service fee."

Instructions to Manually Change the 504 and 7(a) Authorizations

To change the default fee in the 504 authorization, change the "ongoing guarantee fee" from 0.192 to 0.018 percent. Then click the "Default" button located in the same section. The new value will then be set on that computer for all future 504 loan authorizations.

When using the current 7(a) Authorization Wizard, change the

Michigan Certified Development Companies

Economic Development Foundation-Certified

Grand Rapids, (888) 330-1776

Growth Finance Corporation

Fremont, (231) 924-7461

Lakeshore 504 - South Office

Holland, (616) 392-9633

Lakeshore 504 - North Office

Grand Haven, (616) 846-3153

Metropolitan Growth and Development Corporation

Detroit, (313) 224-0820

Michigan Certified Development Corporation

Lansing, (517) 886-6612

Oakland County Business Finance Corporation

Pontiac, (248) 858-0879

SEM Resource Capital

Livonia, (734) 464-4418

SEM Resource Capital

Grand Rapids, (616) 242-5153

"ongoing service fee" from 0.545 to 0.55 percent. This will change the fee only for the specific authorization being written. The 0.55 value will not be set as a default for future 7(a) authorizations. The Wizard will revert to the 0.545 value when again used to create a new authorization, so the change must be made manually for each 7(a) loan until the 7(a) Authorization Wizard is updated. Future versions of the 7(a) authorization will enable a one-time default setting.

This notice will be posted to the Michigan Lenders' page at www.michigan.gov/mi/mi_lender-info_notices.html as soon as possible. Questions or concerns regarding the changes to the 504 and 7(a) On-Going Fee may be directed to Leslie Gierke at (313) 226-6075 ext. 237 or at leslie.gierke@sba.gov.



Reminder - Michigan Lenders Web Site Available

Have you checked out Michigan's SBA's Lenders Web page at http://www.sba.gov/mi/mi_lenderspage.html. This site contains past and current issues of Bank Notes, press releases concerning the SBA loan programs, downloadable copies of the 7(a) application forms, links to SBA's Electronic Lending Web site, SBA Information Notices, and more. (However, because SBA is redesigning its Web site, we have been unable to update any of the information on this Web page for several weeks. We regret the inconvenience.)

Also available is the basic 7(a) Lender Training presentation. This 30 minute narrated PowerPoint presentation provides a good overview of the SBA loan program.

Calendar Year 2007 Schedule of 1502 Report & Payment due dates for 7(a) Loans.

SBA Notice 5000-598 provides a schedule of payment due dates for lenders.

final due date will be subject to the Late Penalty.

2007 Dates

JANUARY	5
FEBRUARY	7
MARCH	7
APRIL	5
MAY	7
JUNE	6
JULY	6
AUGUST	7
SEPTEMBER	6
OCTOBER	5
NOVEMBER	7
DECEMBER	5

Paragraph 6 of SBA Form 1086, states that payments are due at the Fiscal and Transfer Agent (FTA) on the third **calendar** day of the month, or the next business day if the third is not a business day. The SBA allows a grace period of two business days after the due date. If FTA receives a regularly scheduled payment after the expiration of the grace period, a Late Penalty is assessed (subject to a maximum of \$5,000.00). Paragraph 6(c) of SBA Form 1086 describes the components of the Late Penalty. Lenders are billed for Late Penalties at the end of each month. Late Penalties are due to Colson (FTA) with the Lender's next monthly remittance.

Listed is a schedule of **final** due dates, which includes the grace period of two business days for regularly scheduled payments. Payments received after the

Questions regarding this notice may be directed to Jihoon Kim at 202-205-6024. Questions concerning specific Late Penalties that have been charged to lenders should be directed to Larry Packer of Colson Services on 718-242-6657 or e-mail at packerl@colsonservices.com.

Availability of Lender Window Decals

Two new lender window decals are available for Michigan's SBA Preferred and SBAExpress Lenders.

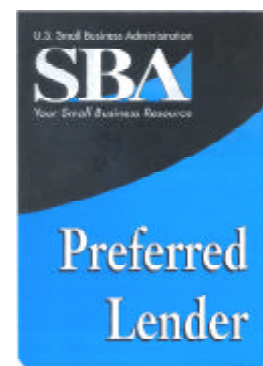
Preferred lenders are nominated based on their historical record with the Agency. They must have demonstrated a proficiency in processing and servicing SBA guaranteed loans.

A lender may be eligible to participate in SBAExpress if it:

- ✍ Currently participates with SBA and meets certain portfolio performance standards. There are no SBA loan-volume requirements; or
- ✍ Is a non-SBA lender that currently makes a reasonable number of commercial loans of \$50,000 or less that generally follow SBA's size standards, use of proceeds, type of business and availability of funds.

To receive your window decals, please e-mail Leslie Gierke at leslie.gierke@sba.gov with the following information:

Number of decals needed, which type of decal (Preferred and/or *Express*), Company contact name and address.





More Timely Processing of Character Determinations Available

SBA Notice 5000-999 offers lenders an alternate way to get character determinations finalized for 7(a) and 504 business loan applicants. This notice does not revise the procedures in Standard Operating Procedure (SOP) 50 10 (4) (E); rather it clarifies procedures to inform SBA personnel and lenders of alternatives of which they may be unaware.

Background Check Alternatives

Existing procedures require that any business loan applicant answering affirmatively to any of the three character questions on SBA Form 912 "Statement of Personal History" (Form 912) go through a background check and character determination. Currently, SBA conducts two types of background checks: (1) Name Check, which requires a search of available records based on a person's name and social security number (SSN); and (2) Fingerprint Check, which searches available records based on the person's name and SSN plus a complete and legibly written FD-258 Fingerprint Card.

When an applicant discloses a felony, the SOP requires that the background check be a Fingerprint Check. When an applicant discloses a past offense(s) that was classified as a misdemeanor, the background check can be a Name Check. In either case, lenders must send the Form 912 package to SBA's Office of Inspector General's Office of Security Operations (OSO) for processing.

To facilitate a more timely review of a Form 912 where an applicant discloses an offense(s) classified as a misdemeanor, the lender will have the option of submitting a completed Fingerprint Card along with the Form 912, regardless of the type of offense reported on the Form 912. When the OSO receives a Form 912 package that

includes a Fingerprint Card, it will automatically request a Fingerprint Check from the fingerprint section of the FBI even if the offense(s) reported on the Form 912 is a misdemeanor. If OSO receives the Form 912 without a fingerprint card, OSO will request a Name Check unless the offense indicated is a felony, in which case the Form 912 will be returned so that the Fingerprint Card can be completed. It is anticipated that a Form 912 submitted with a Fingerprint Card will produce a more expeditious character determination.

When the OSO receives the FBI Name and/or Fingerprint Check results, OSO generally takes one to two weeks to review the results along with the Form 912 package and either clears the applicant for loan processing or refers the case to the Office of Financial Assistance (OFA) for a character determination. OSO's referral to OFA includes a memorandum describing the FBI results as well as comparing the results with the applicant's disclosure on the Form 912. The OSO memorandum also highlights if the applicant had previously applied for SBA assistance but was declined due to a finding by OFA of lack of good character, or if the applicant had previously applied and was cleared for SBA loan processing.

Complete Form 912 packages: As additional means of ensuring timely processing of character determinations, field office/processing center staff should submit a complete, accurate, and detailed Form 912 package, which consists of:

- ✍ Name of originating field office/processing center;
- ✍ Name, address, SSN and telephone number of applicant;
- ✍ Loan amount;
- ✍ Name, address, and telephone number of lender;

- ✍ Date of offense(s), name of offense(s), location of offense(s), and detailed disposition of offenses including any court documentation (i.e., jail time, probation, fines, including dates of each event, etc.), including all available court documentation;
- ✍ Signature and date not more than 180 days prior to submission to OSO.

To read the entire notice please go to SBA's Michigan Lenders Resource Page at http://www.sba.gov/mi/mi_lender-info_notices.html. Questions regarding this notice may be directed to Leslie Gierke at (313) 226-6075 ext. 237 or at leslie.gierke@sba.gov.